

SUSTAINABILITY MANAGEMENT POLICY

SUSTAINABILITY FRAMEWORK DE VOLKSBANK N.V.

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de volksbank

COLOPHON

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1 Management summary

1.1 MANAGEMENT SUMMARY

The Sustainability Management Policy (SMP) serves as a framework for company-wide awareness on sustainability and the resulting processes and conduct at all levels of de Volksbank organisation (including contributions to external reporting, risk management and supporting and monitoring of other first-line departments). Sustainability policy is ultimately to be translated into the work processes of our bank.

The key focus of our sustainability efforts is to have a positive impact on society and the environment. In addition, in the SMP we have described the way we want to deal with sustainability risks coming from outside our organisation.

To be clear, all sustainability policies (environmental and social minimum standards, sustainability risk management, product development, our own operations, etc.) are, if relevant, applicable for de Volksbank as a whole, unless explicitly stated otherwise. ASN Bank will be developing new sustainability initiatives on a continuous basis, however.

1.2 NEW IN THIS VERSION

- The document structure has been adjusted to get a better alignment with the Risk House of Policies (HoP).
- The governance structure has been modified, a/o. to describe the alignment with the Risk Management Policy (RMP) Sustainability Risk.
- The role of the sustainability function in the 3LoD-model has been redefined.
- A paragraph (3.4) on financial materiality (sustainability risks) has been added, reflecting changes in society and the increasing attention of regulators in this respect.
- The interaction between the Expertise Center Sustainability (ECD)¹ and other first line departments has been clarified and linked to the OP process (paragraph 3.5).

1.3 ACCEPTED (RESIDUAL) RISKS – FUTURE IMPROVEMENTS

The main improvement points to be realised in the coming year regarding the SMP are as follows:

- Identification and implementation of the responsibilities between ECD on the one hand and the different lines of business on the other (notably Finance/IER).
- For the most relevant lines of business developing their specific ASP and agreeing on measurable KPIs (in the OP process). The selected departments are: ASN ABB, ASN ADF, Competence Center Zakelijke Financieringen (SME loans), ITC, Facilitair Bedrijf en Inkoop, Enterprise Risk Management, Financial Markets, Competence Center Wonen, Strategie, Human Resources, Balance Sheet Management, AR&C – Integrated External Reporting, and Corporate Communications.
- Risk owners are asked to make an explicit statement about Sustainability risk in respective RAS notes. ECD is supporting this process in developing Applied Sustainability Policies (ASPs).
- Further detailing of material risks triggered by climate change, biodiversity loss and human rights risks, partly based on to-be-presented gap analyses.
- Compliancy with the evolving regulation, guidelines, expectations of supervisors and stakeholders in the area of Sustainability Risk.

¹ The Expertise Centre Sustainability is a first line supporting team and part of ASN Bank, but operates as the central point within de Volksbank for developing sustainability policies and supporting the implementation.

2 Introduction

2.1 GENERAL

Sustainability is a key element in the strategy of 'de Volksbank' N.V., hereinafter also: 'de Volksbank' or 'the Bank'. A proper understanding of the meaning of sustainability is of great importance since we are living up to our business principles as described in our Manifesto. The bank has developed a 'shared value strategy' ("Gedeelde Waarde") which aims to achieve an optimal balance between its relevant stakeholders: clients, employees, shareholders and other capital providers, and society. In other words, 'integrated thinking' is a leading principle in our decision making process. Furthermore, a fully integrated approach on sustainability contributes to consistently managing our business activities (see Strategy 2021-2025; Social Impact).

de Volksbank has adopted an integrated sustainability policy framework [hereinafter 'House of Policies] which includes the sustainability governance and frameworks, described in the so-called Sustainability Management Policy (SMP). The SMP forms the basis for further development into specific sustainability policies (see paragraph 3.7).

2.2 PURPOSE OF THIS DOCUMENT



The purpose of this document is to have a well-understood and accepted governance and definition of sustainability for our organisation and for our stakeholders. Our approach on sustainability covers all our activities. Several sustainability-related topics are or will be covered more in detail in other Policies:



- Privacy (Algemeen Privacybeleid Klanten en Algemeen Privacybeleid Medewerkers)
- Financial Resilience (a new version is being developed at the moment^{***})
- Integrity (RMP Compliance, House of Policies Compliance)
- Tax (Volksbank Jaarverslag 2019, blz. 47)

This policy pertains to de Volksbank N.V., including all underlying legal entities, brands, business units and portfolios unless stated otherwise.

2.3 SHARED VALUES

This policy contributes to optimising shared values in the following manner.

 CLIENT	De Volksbank supports clients in the process to become more sustainable consumers with honest/transparent advice and fair priced simple and sustainable (financial) products.
 SOCIETY	De Volksbank aims to contribute to a sustainable society by stimulating sustainable developments in society and by managing a portfolio of sustainable activities. Strategic objective of de Volksbank in this respect is being in the forefront of combatting (the impacts of) climate change and (the impacts of) the loss of biodiversity, and respecting human rights.

 EMPLOYEE	De Volksbank aims to provide meaning for employees and to be an inclusive organisation that mirrors society and that contributes to a sustainable future for generations to come.
 SHAREHOLDER	De Volksbank assesses the effect of events in the area of sustainability, like preventing negative reputational effect and limiting or avoiding financial losses. Mitigating these effects contributes to a stable, trustworthy and sustainable bank that is valued by the shareholders.

2.4 RESPONSIBILITIES AND COMMUNICATION

The responsibilities regarding the sustainability domain are stated in the colophon and are elaborated in the governance section. The adopted SMP will be submitted to the relevant committees and internal stakeholders. All SMP documents will also be published on de Volksbank’s intranet site (ID Social) and are accessible to all de Volksbank employees at that time. The management of de Volksbank is responsible for employees to be familiar with the sustainability management organisation and comply with the procedures it includes.

2.5 REGULATORY FRAMEWORK

Starting point is that we operate within national and international legislation. The Sustainability Policy is based on globally recognised treaties, conventions and initiatives. Operating or financing in a sustainable manner transcends legally required minimal standards.

We apply the definition of sustainability from the 1987 UN report “Our Common Future” (Brundtland): “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” On the basis of this definition, we have defined a series of policies covering all kinds of different industries and themes.

We consider the following international treaties and conventions as the fundamental starting points for our policies and their implementation. For conventions and treaties focusing on key aspects of sustainability we refer to the Sustainability Policies (SPs) and Specific Sustainability Policies (SSPs), as explained in paragraph 3.7. The following regulations and commitments regarding sustainable banking and investing define our approach further (this is subject to change and is not an exhaustive enumeration):

- a. International / EU regulations and commitments
 - EU Sustainable Finance Action Plan (SFAP 2018/3/8);
 - Task Force on Climate-Related Financial Disclosures (TCFD June 2017);
 - Capital Requirements Directive en Capital Requirements Regulation (CRD/CRRIV);
 - EU Directive: Disclosure of non-financial information and diversity (EU/2014/95);
 - EU Directive: Guidelines on non-financial reporting: Supplement on reporting climate-related information;
 - EU Regulation: Sustainability-related disclosures in the financial services sector (EU/2019/2088);
 - EBA Guidelines:

- EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing (EBA/GL/2018/03)
 - EBA Guidelines on Internal Governance (EBA/GL/2017/11)
 - ECB guide on climate-related and environmental risks
- b. National regulations and commitments
- Wet op het Financieel Toezicht (Wft) en onderliggende regelgeving, zoals het Besluit prudentiële regels Wft (Bpr)
 - Wet Bestuur en Toezicht (2020/1/28)
 - Corporate Governance Code (2016/12/8)
 - Besluit Gedragstoezicht Financiële Ondernemingen (BGfo - 01/01/2020)

Furthermore, we support and act in the spirit of several voluntary international initiatives and guidelines, like the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights (IMVO Covenant Banken) and its follow-up projects, United Nations Environment Programme Finance Initiative: Principles for Responsible Banking (UNEP/2019/09/23), Principles for Responsible Investment, Equator Principles, Global Reporting Initiative (GRI) and International Integrated Reporting Framework (IR).

In addition, we closely monitor the views and developing opinions of supervisory bodies, like the Dutch and European Central Banks, on sustainability topics. Especially, since we foresee new legislation and regulations regarding sustainability being implemented in the near future.

In the Content documents we explain how these regulations, treaties, conventions and initiatives are used as starting points for us to define our Sustainability Policy.

3 Sustainability Framework

3.1 INTRODUCTION

We have described our mission in our Manifesto. An important element of the Manifesto is the ambition to contribute to sustainable development. ASN Bank, one of the four brands of de Volksbank, was founded in 1960 with the objective to strive for a sustainable and fair society in which people can be free to make their own choices without harming others (no more poverty, education for all and good housing and health care)². In 2017 de Volksbank decided to fully adopt the ASN Bank's approach with regards to the sustainability criteria. ECD has been mandated by the BoD to advise on the development of the sustainability strategy for the bank.

3.2 THE SUSTAINABILITY MANAGEMENT FUNCTION

The SMP determines the bank's approach on sustainability on all its activities. Key focus will be on the interaction with the bank's clients, since the main impact of the bank's activities is through our loans and investments. The impact is two sided.

- On the one hand, we can support our clients in becoming more sustainable customers and help them to limit risks in their financial situation regarding sustainability matters ('social and environmental materiality').
- On the other hand, sustainability risks (like climate) potentially will have a larger impact on our financial assets than on our own operation ('financial materiality').

For the sustainability management function this includes the following key activities:

- Developing strategies and policies that ensure that de Volksbank is permanently in the forefront of sustainable finance in the Netherlands (and abroad) to realise a more sustainable society
- Identifying material emerging sustainability risks and opportunities. Assessing these risks and opportunities and the bank's exposure to them;
- Advising and supporting other lines of business by developing and maintaining their sustainability initiatives;
- Supporting the Committee Social Impact (CSI) in the implementation and approval of the enterprise-wide sustainability governance framework (setting up and maintaining House of Policies Sustainability) which includes the bank's stance towards sustainability, sustainability ambition, sustainability reporting and boundaries (a/o. exclusions);
- Influencing and, when necessary, challenging material sustainability decisions;
- Reporting to senior management (notably the ASN Bank Board (AB), the Committee Social Impact (CSI) and the Board (BoD)) on all these items, including but not limited to proposing appropriate accommodating actions to ensure that de Volksbank Board (BoD) is verifiable in control

Ultimately, the CSI is responsible for overseeing the bank's sustainability activities and assessing risks and opportunities independently from the other lines of business.

² De missie van ASN Bank is; "Ons economisch handelen is erop gericht de duurzaamheid van de samenleving te bevorderen. We werken mee aan veranderingen die zijn bedoeld om een einde te maken aan processen waarvan de nadelige gevolgen worden verschoven naar toekomstige generaties of worden afgewenteld op het milieu, de natuur en kwetsbare bevolkingsgroepen. Daarbij verliezen we niet uit het oog om op lange termijn een rendement te behalen dat het gezonde voortbestaan van onze bank waarborgt. Wij beheren de middelen die onze klanten ons toevertrouwen, op een wijze die recht doet aan hun verwachtingen."

The sustainability framework consists of the following elements:

- a. Sustainability criteria (paragraph 3.3), covering a wide of range of sustainability criteria (including exclusions)
- b. Supercharging initiatives on climate, biodiversity and human rights (paragraph 3.3)
- c. Sustainability risk identification and assessment (paragraph 3.4)
- d. Integration of the above-mentioned topics into our business processes (paragraph 3.5)

The criteria (a. en b.) we set for our products and services are shaping 'our impact on society' (social and environmental materiality). Next, we are in the process of developing criteria (c.) to mitigate, and if possible, to avoid sustainability risks that may have an impact on our organisation ('society's impact on us' – financial materiality).

3.3 SOCIAL AND ENVIRONMENTAL MATERIALITY

In the SPs Climate, Biodiversity and Human Rights and the series of SSPs the sustainability policies on specific topics and themes are explained in detail.

The sustainability criteria are designed to make decisions for loans and investments, including transactions related to managing the bank's capital. In addition, the criteria are being applied by managing our own operations and by developing and maintaining retail client products and services. However, they are not intended to assess savings or payments transactions.

3.3.1 Loans and investments

The direct social and environmental footprints (impact) of our organisation are small. However, the aggregated footprints of our clients are significant. As capital provider we enable clients and, consequently, contribute to their footprints indirectly. That is why our efforts in developing and implementing sustainability policies are focused on our clients to avoid adverse impacts on society and the environment and to support the search for and development of solutions.

3.3.2 Our own organisation and retail products and services

De Volksbank's Sustainability Policy has a primary focus on loans and investments. However, the same principle starting points apply for the way we are managing our own operations and for developing and maintaining retail client products and services. We have policies in place in line with these principles for the different functions in the organisation (like Volksbank Financial Markets).

3.3.3 ASN Bank acts a supercharger

In our Manifesto we highlight the importance of sustainability, as an integral part of our Shared Value strategy. As a consequence, we have the ambition to actually contribute to societal changes for the better. One of our brands, ASN Bank aims to be at the forefront of stimulating positive changes in society ("supercharger") continuously, like the 'Voor de wereld van morgen'. It is concentrating its efforts on three crucial topics for 'bringing society further': climate, biodiversity and human rights. This implies that ASN Bank starts initiatives that are on top of our bank-wide applied sustainability criteria.

Climate

Climate change is an extremely pressing problem the world is facing at the moment. We have adopted an approach to mitigate and adapt to the impacts of climate change. Basically, the approach consist of two elements:

1. A set of sustainability criteria to avoid involvement in entities which have a negative impact on climate change and a set of criteria to support investments that contribute to combatting climate change.
2. The objective to have a 'carbon neutral balance in 2030'. Our ambition has been used to broaden the scope of climate neutrality to the rest of the financial sector in the Netherlands (like Partnership for Carbon Accounting Financials (PCAF) and the Spitsbergen Ambition, leading to a Climate Commitment in the Dutch Financial Sector). In the meantime, PCAF has become an international organisation.

In the SP Climate the approach is explained in detail.

Biodiversity

The loss of biodiversity and the destruction of ecosystems will have unprecedented impact on many aspects of our lives, varying from potentially negative consequences on agri- and aquacultural production to irreversible changes in natural habitats. Part of ASN Bank's supercharge initiatives has been the development of defining a 'no net loss'-strategy.

Basically, the approach consist of two elements:

1. A set of sustainability criteria to avoid involvement in entities which have a negative impact on biodiversity and ecosystems and a set of criteria to support investments that contribute to protecting biodiversity and strengthening ecosystems.
2. An initiative to strive for 'no net loss' in loans and investments. ASN Bank is to broaden the scope on protecting biodiversity and strengthening ecosystems to the rest of the Dutch financial sector (Partnership Biodiversity Accounting Financials - PBAF).

In the SP Biodiversity the approach is explained in detail.

Human Rights

Human rights have many different aspects. Protecting and respecting these rights is often linked to the way an entity is governed. Therefore, we have decided to combine both elements in one SP.

Human rights are violated frequently, and quite often with significant severity. We have developed a wide range of policies to avoid violations of human rights in our loan and investment portfolios.

Part of ASN Bank's supercharge initiatives is the development of an approach to achieve 'living wages' in the global clothing industry by 2030.

Basically, the approach on Human Rights consist of two elements:

1. A set of sustainability criteria to avoid involvement in entities which are not protecting (governments) or respecting (companies and other entities) human rights. In addition, there is a set of criteria linked directly or indirectly to human rights, which are aimed to avoid being involved with entities that are insufficiently governing their responsibilities.
In addition, a set of criteria is applied to select the frontrunners on proctecting and respecting human rights and good governance.
2. An initiative to strive for 'living wages' in the clothing industry (Platform Living Wage Financials – PLWF). ASN Bank has broadened the scope of the 'living wage' initiative by involving other financial institutions from several countries.

In the SP Human Rights the approach is explained in detail.

Human Rights are of great importance to us, this implies that our policies apply to our own organisation as well. Human Resources is managing a program on Diversity and Inclusiveness currently.

From 2018 onwards we have reported on the impact of all our activities on human rights in Human Rights Reports.

3.4 FINANCIAL MATERIALITY

Sustainability risks, i.e. risks resulting from (unexpected) events in the environment or in society may have an impact on our organisation: directly and indirectly (through our stakeholders, notably our clients). In our view sustainability risks can be financially material.

The RMP Sustainability Risk distinguishes the following Sustainability sub risk types:

- Environmental risk: Environmental risk is defined as the risk of (in)direct financial or reputational damage due to a deteriorating environment. Environmental risk has been cascaded down into the sub risk types:
 - Climate risk: Risk of (in)direct (financial) damage to assets or customers of the bank due to acute or chronic climate events;
 - Biodiversity risk: Risk of (in)direct (financial) damage to assets of the bank due to damage to or decrease of ecosystems.
- Social risk: Social risk is defined as the risk of (in)direct financial or reputational damage to the bank due to human rights violations in the area of a/o. wages, discrimination, land grabbing, limiting civil liberties, involvement in conflicts or employee rights.

The (sub)risk types are in line with the three pillars of our supercharging initiatives: climate, biodiversity and human rights.

Sustainability risks may materialise in other conventional risk types, like regulatory risks or credit risks. In addition, the sustainability risks will impact socio-economic conditions, which subsequently may have an impact on our organisation indirectly.

In managing sustainability risks that may affect us, we take the impact of our mitigating actions on our clients and society into consideration explicitly. We aim to avoid putting (additional) pressure on the more vulnerable people.

Figure 1. Sustainability risks with a potential impact on our organisation

(not exhaustive)	own operations (business model, offices, IT-centers, etc.)	through clients / assets (loans, investments, insurances, etc.)
physical impacts	NON-FINANCIAL RISK	CREDIT RISK
	heavy weather (rain, storms, heat waves) floodings droughts wild fires riots / social unrest	direct damage to clients drop in value (of collateral) - in more risky areas drop in income riots / social unrest
transition impacts	MARKET, REPUTATION, BUSINESS, NON-FINANCIAL (INCLUDING REGULATORY) RISKS	CREDIT, MARKET AND NON-FINANCIAL (INCLUDING REGULATORY) RISKS
	impact of government policy (taxes, subsidies, new regulations, etc.) price movements (a/o. due to innovation) not meeting stakeholders' expectations drop in value of assets	impact of government policy (taxes, subsidies, new regulations, etc.) price movements (a/o. due to innovation) drop in value green washing and false reporting
systemic impacts	MARKET AND BUSINESS RISKS	CREDIT AND MARKET RISKS
	financial losses due to economic instability and increased risks (like limited or no affordable insurance options) reputation	financial losses due to economic instability and increased risks (like limited or no affordable insurance options)

- climate-related
- climate and biodiversity-related
- biodiversity-related
- biodiversity and human rights-related
- human rights-related
- human rights and climate-related
- linked to all

Note: Considering the business model of de Volksbank (primarily serving retail clients in the Netherlands) we expect that the impacts of floodings and droughts will be more likely than wildfires. Further analyses is required.

ECD is responsible for *identifying* (individual, aggregate and emerging) risks arising from trends, sustainability policies and events within the scope of sustainability. The identification process includes independent risk-based self-assessments of important themes, as well as responsive and ad hoc identification to help the organisation set the priorities in the future. The relevant line of business in cooperation with Risk assess the consequences of the identified risks for their business activities.

3.5 IMPLEMENTATION AND SUSTAINABILITY OWNERSHIP

The development and implementation of sustainability within our organisation are assigned to *owners* within the Board of Directors and senior management.

The basic principle for assignment is that first-line responsibility for sustainability is allocated where it is (predominantly) manifest and can be influenced, i.e. in the business. Applied Sustainability Policies (ASPs) are being developed by the relevant department in close cooperation with the Expertise Centre

Sustainability. An ASP for a line of business describes how the bank's sustainability policies are applicable for this specific line of business. The ASPs will be developed after thorough consultation of relevant stakeholders within and outside of the bank. These policies need to have final consent from the ASN Bank Board for the sustainability elements of a policy prior to processing the policies for approval in the line and final sign-off by CSI.

ECD is monitoring how the sustainability *content* is being developed in the implementation process in the lines of business. The Risk function is responsible for monitoring the *progress and the execution* of adapting sustainability into the processes of a line of business. In the RMP Sustainability Risk the sustainability risk management cycle is described.

ECD has an initiating and supporting role in the OP process: relevant lines of business will have to include (at least one) sustainability initiative(s) in their annual planning process (if relevant). By defining mutually agreed operational KPIs, ECD has the opportunity and a formal responsibility to streamline, to structure and to encourage the development of the integration of sustainability into our organisation. Finance AR&C is responsible for the execution of the OP process.

To summarise, ECD has a responsibility to ensure that in the annual OP process sustainability is included as a compulsory topic for all business units. The lines of business are ultimately responsible for initiating, developing and properly implementing relevant sustainability elements in their processes, services and products. As a consequence, the final approval of the ASPs lies with the line of business itself.

3.6 RISK APPETITE SUSTAINABILITY

The Risk Appetite Statement (RAS) Sustainability describes the risk appetite regarding sustainability risks. See: RAS Note_2019-2020_Sustainability Risk_Final.pdf.

3.7 HOUSE OF POLICIES

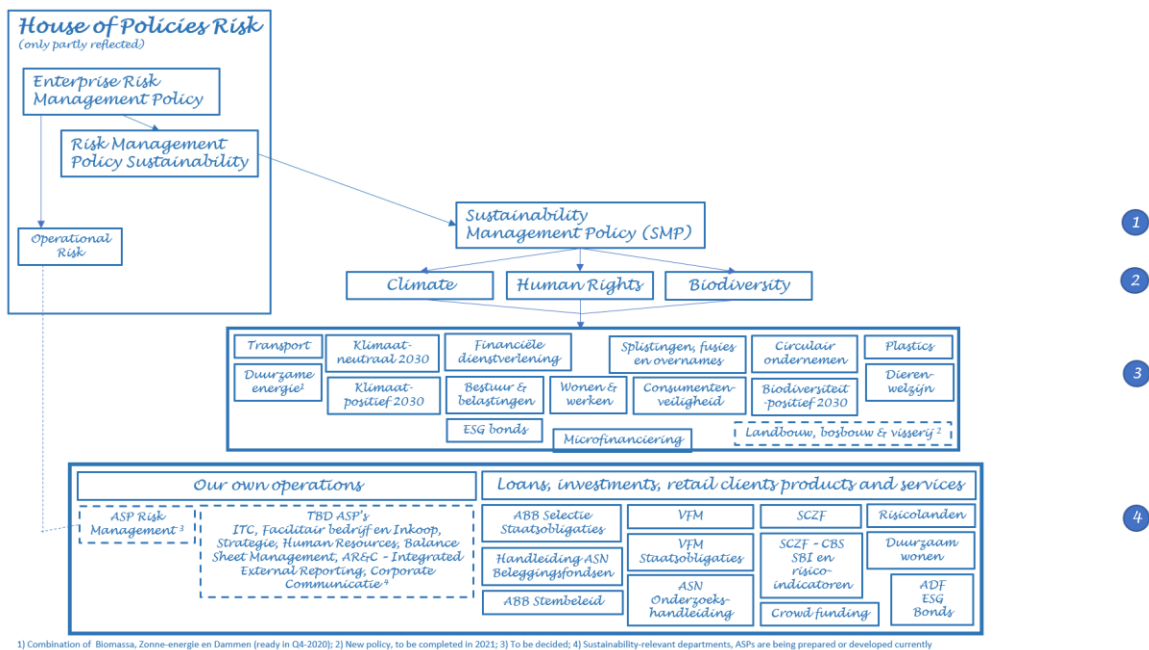
This document, the Sustainability Management Policy (SMP – level 1 in the figure below) describes the sustainability management governance. The SMP is in line with governance as described in the Risk Management Policy (RMP) on Sustainability Risk for managing risk-related aspects of sustainability. In case of contradictions between this RMP and House of Policies Sustainability, the RMP is leading. The governance of managing non-risk elements of sustainability are covered in the SMP as well.

In addition, the SMP forms the basis for further development of specific sustainability policies. The sustainability policies can be distinguished in:

- Sustainability Policies (SPs – level 2): covering content on three key focus areas (climate, biodiversity and human rights)
- Specific Sustainability Policies (SSPs – level 3): covering content on specific topics, sectors or assets
- Applied Sustainability Policies (level 4): covering the application in the business lines.

Together they form the so-called 'House of Policies Sustainability'.

Figure 1. House of Policies Sustainability - overview



The exact number and themes regarding content sustainability policies may vary from time to time. Content policies provide definitions and policy frameworks for the types of sustainability distinguished within the organisation. The SMP and SPs extend to all sections of the organisation that are responsible for and/or have an active role in the relevant sustainability domain.

The Bank distinguishes three SPs:

- Climate
- Biodiversity
- Human Rights.

In Specific Sustainability Policies additional guidance and criteria are provided for specific themes (like tobacco or plastics) or sectors (like financials) or asset classes (like ESG bonds). Just like the SMP and SPs, the SSPs are applicable for our whole organisation as well.

Applied Sustainability Policies (labelled '4' in the overview) are specifically directed towards the value streams and specific integrated processes (IP) in which the Sustainability Policies should be implemented and executed. Consequently, these documents tend to have a more practical approach ("what to do") compared to the SMP and 'content' (SP and SSP) documents ("why" and "how"). They consist of practical implications for an individual, specific line of business.

The (sustainability) definitions used within our organisation are also considered part of this set of documents.

4 Governance

4.1 SUSTAINABILITY AND PROCESS OWNERSHIP

Integrating sustainability into our organisation reflects both our impact on society and society's impact on us. Our impact on society is purpose driven: how can we do good for society? The impact of society on us implies a focus on risk management.

Managing sustainability risks is described in the Risk Management Policy (RMP) Sustainability Risk, including the governance and ownership of these risks. In this chapter we concentrate on the governance and ownership of non-risk sustainability matters.

4.1.1 Sustainability Management Governance

The SMP (this document) is not a formal risk document. Within the given framework, the House of Policies Sustainability is positioned under the RMP Sustainability Risk, meaning in the case of contradictions between the RMP Sustainability Risk and the House of Policies Sustainability the RMP is leading.

This document needs final approval of the Committee Social Impact (CSI). The SMP acts as a document by setting the overall policy for sustainability policy development and the day-to-day management of sustainability implementation.

Note. Sustainability bodies and committees operate fully in line with the guidelines and principles for committees and boards as described in the RMP Enterprise Risk Management.

In this document we refer to the Risk Management Policy Sustainability Risk for the description of the roles and responsibilities of our Board of Directors (BoD), the Committee Social Impact and the ASN Bank Board. Other (non-sustainability risk) committees are described below.

4.1.2 Non-risk sustainability committees

Sustainability Council (SC)

The Sustainability Council (SC) develops the sustainability policy for ASN Bank, in the sense that the SC tests sustainability criteria for investments (widening of scope and adjustments of existing criteria) and proposes new (initiatives for) focus areas ('supercharger role').

In addition, the SC offers a platform to discuss the development of sustainability within de Volksbank. The SC covers new initiatives, proposals for further enhancing sustainability efforts (in the organisation) and sustainability risk assessments. This implies that the sounding board role may be focused on a specific department of the organisation. The Sustainability Council consists of members of both ASN Bank and other departments of de Volksbank.

The SC covers the full range of sustainability initiatives, not all of them are relevant to all parts of de Volksbank. Proposals of the SC that affect non-ASN Bank departments are sent for approval to both the ASN Bank Board and the CSI, after consulting and informing other relevant departments and committees.

The SC will develop its policies to a detailed level: a specific opportunity can be an individual transaction (like sustainable financing or an individual financial institution) or a framework for a set of individual, but also a set of highly identical transactions (like loans to small & medium-sized companies).

After approval of the ASN Bank Board and the CSI, the SC policies will be sent to the relevant Risk Committee for information purposes (ALCO, CC, PARC, ORC).

If needed, escalation is possible. The director of ASN Bank has a quarterly meeting with the BoD, which allows ECD (which reports into the Director) to ask for decisions on conflicting matters, which may surface in discussions in the Sustainability Council.

The SC sends proposals to the ASN Bank Board and has no mandate for decisions.

ABB Investment Committees I and II (IC-I en IC-II)

The Investment Committees I and II (being elements in the ABB decision making progress) decide, if a specific investment opportunity meets the requirements of the ABB sustainability policies. Also, the ICs have the possibility to request the Sustainability Council to assess new investment opportunities, trends and risks. Note: ABB may request the Expertise Centre Sustainability to provide advice on other investment opportunities as well.

Board of ASN Duurzame Deelnemingen

The Board of ASN Duurzame Deelnemingen defines the desired sustainability profile for individual investment funds and other investment activities.

ABB Climate Committee

ABB aims to be: carbon positive in 2030; to have a positive biodiversity impact in 2030; and in 2030 the garment sector will have implemented all processes to enable a living wage in the supply chain. The Climate Committee has the objective to analyse, to implement and to monitor the (path towards) these ambitions.

Sustainability Research Council

The Research Council can request for new policies, adjustments to existing policies and delivers assessments of specific investment opportunities as proposals to the Sustainability Council, the Investment Committee II (ABB), the CSI and the Board ASN Duurzame Deelnemingen.

ASN Bank Advisory Board

The ASN Advisory Board supports the ASN Bank in developing its strategy by providing asked and unsolicited advice on trends in society, which may affect the mission of ASN Bank, and consequently de Volksbank.

4.2 POLICY DEVELOPMENT

The general objective of de Volksbank's House of Policies Sustainability is to establish uniform execution of business processes in combination with internal control and reporting.

The development of policy with regard to sustainable development may be a top-down or bottom-up process, depending on the subject or scope, that may be triggered by internal and external factors.

- External factors (non-exhaustive): regulations, political, economic, social, legal, technology, customers, owners, environmental factors;
- Internal factors (non-exhaustive): staff, processes, systems, products, balance sheet, reputation.

Policy documents are to be prepared and updated by the sustainability responsible department and/or sustainability owner, depending on the type of policy. If a sustainability-related policy is drafted or proposed by a first line department, this policy must be assessed and advised upon by the Expertise Centre Sustainability before the next step in the regular approval process can take place. First and

second line bear a shared responsibility to set up an effective and adequate House of Policies for all sustainability areas in their formal influence zone or mandate.

In the future, new or additional policies or policy statements may be added to the existing sustainability policy. Such additions take effect upon adoption and are subsequently communicated to the relevant stakeholders. The policy owner integrates those statements into the policy documentation during the periodic evaluation.

4.3 POLICY ADOPTION

As a principle, this SMP (level 1- governance) is adopted by the CSI. All 'Content' SPs need approval from the ASN Bank Board. If a sustainability committee is asked to issue a preliminary assessment or advice with regard to adopting a SP, this committee is usually also responsible for the further detailing of those frameworks.

The **appendices** include an overview of the sustainability committees responsible for adopting policy, based on the committees' mandates and the overall Policy House based on the sustainability classification.

4.4 POLICY CALENDER

ECD monitors the way sustainability has been further integrated in the processes of a line of business. The outcome of an annual evaluation, together with findings of the second line responsible department will be used as starting point for the annual OP process. ECD is responsible for adopting the set up policy calendar. In this role the department provides the CSI with an advice on granting a 'waiver' (for a maximum period of 12 months) with regard to the initial plan date and evaluation of a specific policy, based on a motivated request by the policy owner.

4.5 DOCUMENTATION AND PUBLICATION

After adoption the sustainability policy is circulated among the policy owners and published on Volksbank's intranet site (ID social), on a special sustainability policy page that is accessible to all Volksbank employees. All employees are expected to use the published documentation as a frame of reference and to comply with the formulated sustainability policy, being the official recording of the sustainability policy and related procedures.

4.6 IMPLEMENTATION

An adopted sustainability policy must proactively be worked out in detail and implemented by the first line. Responsible for implementation is the first line sustainability owner as stated in the colophon of a respective policy. The first line responsible Expertise Centre Sustainability facilitates where possible and advises where necessary. Implementation may be executed via (for example) project proposals (for major changes), and may hold new, or specific adjustments to current, processes and procedures / work instructions and/or adjustments to department plans.

The design and effectiveness of our sustainability policy and/or individual policy documents and/or sustainability themes are assessed periodically by the second and third line departments.

4.7 RESPONSIBILITIES (RACI)

Onderstaande schema is overgenomen uit de RMP Sustainability Risk.

RACI Sustainability risk	1 st line							2 nd line		Accountable body
	ASN-ECD	ADF	VFM	ABB	SC mortgages/ SC SME	AR&C- IER	HR	ERM- Core ERM	Com-pliance	
Developing new sustainability strategies, concepts and being a catalyst in the area of Sustainability (climate, biodiversity and human rights) for dVb	R	I	I	I	I			I		Board ASN Bank
Identifying material (individual, aggregate and emerging) Sustainability risks (climate biodiversity, human rights)	R	C	C	C	C			C		Committee Social Impact
Setting up and maintaining first line HoP Sustainability (climate, biodiversity, human rights) and ensuring that dVb is verifiable in control	R	C/I	C/I	C/I	C/I			C/I		Board ASN Bank
Supporting and monitoring the implementation of the Sustainability Policies within dVb.	R	I	I	I	I			I		Board ASN Bank
Setting up the methodology and calculating/reporting on CO2 emissions, biodiversity and impact human rights for dVb	R	C	C	C	C		C	I		Board ASN Bank
Developing tools for first line departments to conduct due diligence in the area of climate, biodiversity and human rights	R	C	C	C						Committee Social Impact
Setting up and maintaining the diversity and inclusiveness policy and ensuring that dVb is verifiable in control	C	I				I	R	C		BoD
Supporting and monitoring implementation of diversity and inclusiveness policy	I	I				I	R	C		BoD

Analysing and advising on ESG-ratings, focal point of ESG research collecting and maintaining ESG-relations	C	C	R			C/I		C		Tbd
Setting up and maintaining Green Bond Framework	C		R					C		Committee Social Impact
Issuing Green Bonds	I		R			I		I		Committee Social Impact
Due diligence in order to identify whether a specific investment opportunity meets the requirements of the ABB Sustainability policies.	C			R						ASN Investment committee
Monitoring implementation and the correct application of relevant guidelines/principles in the area of Sustainability	R		C	C	C		I	C		Committee Social Impact
External reporting based on the relevant guidelines Sustainability/Integrated Reporting and coordination with auditor	C		C	C	C	R	C	C		Committee Social Impact/FINCO
Monitoring compliance with relevant legislation and regulations and instructions given by regulatory bodies	C		C	C	C			C	R	BoD
Setting up, maintaining the RMP Sustainability risk and ensuring that dVb is verifiable in control	C		C	C	C	C	C	R		BoD
Setting up and maintaining the Risk Appetite Statement (including KRI's)	C		C	C	C	C	C	R		BoD
Second line review (including reporting) regarding the overall sustainability of de Volksbank	C		C	C	C	C	C	R		BoD

5 Monitoring and control

The policy component of the Integrated Control Framework (ICF) consists of a coherent system of SMPs and SPs. The SMP together with one or more underlying Sustainability Policies (or other related policies) is known as House of Policies or 'HoP' regarding the specific sustainability type or subject.

De Volksbank has adopted an Integrated Control Framework (ICF) to achieve controlled and responsible business operations and adequate control of sustainability risks and objectives. Key ICF objective is to create clear frameworks, ensure streamlined control processes with the appropriate infrastructure and to steer the organisation towards the right culture. ICF is considered a living, growing and constantly improving structure with increasing maturity, that continuously requires adjustment in order to keep pace with the growth of the Bank's business.

The Integrated Control Framework is described and governed in the RMP Integrated Risk Control.

Sustainability reports include, but are not limited to, quarterly updates on progress on achieving a carbon neutral balance, progress on integrating sustainability in de Volksbank processes (a/o. the OP process), developing and implementing supercharge initiatives by ASN Bank and contributions to de Volksbank annual report and other reporting requirements (including our Human Rights Report) and requests.

The business (1st line) is primarily responsible for adequate compliance with this policy. Compliance (2nd line) can conduct monitoring investigations into timely and correct compliance with applicable laws, regulations and policy requirements. Audit (3rd line) can investigate the design, existence and effective operation of measures taken pursuant to this policy.

6 Evaluation

This Sustainability Management Policy and related 'House of Policies Sustainability' are evaluated annually. If as a result of this evaluation it is concluded that the policy is to remain unchanged, the SMP owner may apply for a motivated (once-off) waiver for twelve months from the sustainability committee responsible for this Sustainability Management Policy and relevant House of Policies.

Any interim changes or additions to this policy document approved and adopted by the relevant sustainability committee(s) will come into effect as from the date of final adoption. The SMP manager will include these changes, if possible previous to adopting or else immediately afterwards, in a new document version, and ensures that the published version is always up to date. The SMP owner will disclose the new policy to the relevant stakeholders and monitors proper implementation.